

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

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Puerto Rico Telephone Company's
New Expanded Interconnection
Tariff

) CC Docket No. 96-160
)

PUERTO RICO TELEPHONE COMPANY'S DIRECT CASE

Puerto Rico Telephone Company hereby submits its Direct Case justifying those rates, terms and conditions in its virtual collocation tariff that were designated for investigation in this proceeding.¹

I. BACKGROUND

On May 6, 1996, PRTC filed its first tariff for the provision of expanded interconnection through virtual collocation for special and switched access services.² PRTC has never received a request to provide its tariffed virtual collocation services.

After withdrawing from the NECA pool, PRTC submitted its expanded interconnection tariff. PRTC's tariff appropriately utilizes individual case basis offerings for selected rate elements. Similarly, PRTC based its floor space rate per footage upon a survey of approximately two-thirds of its central offices. These methods are the soundest way to ensure that if a customer

¹ Order Designating Issues for Investigation, CC Docket No. 96-160, DA 97-523 (Com. Car. Bur. rel. March 11, 1997) ("Order").

² PRTC Tariff F.C.C. No. 1, Transmittal No. 2, (filed May 6, 1996).

does purchase virtual collocation service under the tariff, the rates will bear the closest correlation possible to actual costs, considering that PRTC has no experience in offering this service.

In this regard, PRTC notes that it discovered an error in its rate calculation for the DS1 cross-connect service while preparing its TRP for this filing. The entry for "other taxes" had been counted twice, resulting in an input of \$31.66, rather than \$15.83. PRTC's TRP submitted with this filing correct the error, resulting in a rate decrease from \$22.34 to \$20.97, or a difference of approximately \$1.37 per month.

II. PRTC RESPONSES TO INFORMATION REQUIREMENTS

INFORMATION REQUIREMENTS - NONRECURRING CHARGES FOR EQUIPMENT AND CROSS-CONNECT INSTALLATION, TRAINING, AND EQUIPMENT AND CABLE MAINTENANCE

(a) Explain whether performing the virtual collocation functions for which these rates are charged requires materials in addition to labor. (Order at ¶ 18)

In its virtual expanded interconnection tariff, PRTC has identified certain charges that will be assessed to virtual collocation interconnectors for equipment and cross-connect installation, training, and equipment and cable maintenance. These charges are reflected in the hourly labor rates provided in Section 17.4.3 of PRTC's Tariff F.C.C. No. 1. Virtual collocation interconnectors will also be charged for any materials necessary to satisfy a request for virtual collocation. If no materials are required, no such charge will be assessed.

(b) If PRTC proposes to charge for materials when it performs virtual collocation functions, explain in more detail what these materials are, and how those charges are to be calculated. (Order at ¶ 18)

As PRTC reported in its Reply to the Petition to Suspend and Investigate filed by Centennial Cellular Corp. ("Centennial"), no carrier has ever sought to purchase PRTC's tariffed virtual collocation service. See PRTC Reply at 4-5. PRTC realizes that a variety of categories of materials and types of equipment could be required to provide virtual collocation. However, until a carrier requests this service, PRTC cannot provide a definitive list of charges for materials that would be used in every instance. Until such time that averaged rates for the materials for these services have been developed, PRTC will assess rates for materials required based on the cost of those materials, and will make available the appropriate cost support information pursuant to Section 61.38 of the Commission's Rules.

(c) Explain in detail why assessing a nonrecurring rate for cross-connection installation on a time and materials basis does not violate the specific requirement set forth in the Special Access Expanded Interconnection Order that the cross-connect element be provided pursuant to generally available tariffs at study-area-wide averaged rates. (Order at ¶ 18)

The Special Access Expanded Interconnection Order specifically requires that LECs provide the cross-connect element, covering the short cable connection from the LEC distribution frame to the central office electronic equipment owned or dedicated to the interconnector, pursuant to generally

available tariffs at study-area-wide averaged rates.³ However, PRTC has no experience upon which to develop such a tariff. The Commission's stated goal in requiring LECs to file tariffs for this element is to discourage anticompetitive pricing and discrimination.⁴ PRTC's proposal is consistent with this rationale.

PRTC has determined that the cross-connect element initially will be provided on a time and materials basis to permit PRTC to develop a generally available tariff that appropriately reflects on a study-area-wide averaged basis the actual costs of provisioning the service requested.⁵ It has not developed an arbitrary tariffed rate that could result in discrimination, an outcome the Commission expressly seeks to avoid. For example, discrimination could occur if the tariffed rates are too low compared to the actual costs of serving one interconnector, while the same rate may overcharge another interconnector.

Indeed, the time and materials approach was necessary for PRTC's initial tariff, which was prepared without the benefit of any past experience in provisioning virtual collocation.

³ Expanded Interconnection with Local Telephone Company Facilities, Report and Order, 7 FCC Rcd 7369, 7441 (1992) ("Virtual Collocation Order").

⁴ Id.

⁵ See Expanded Interconnection with Local Telephone Company Facilities, Second Memorandum Opinion and Order on Reconsideration, 8 FCC Rcd 7341, 7365 (1993) (finding that a LEC is only required to tariff individually negotiated arrangements for the central office for which the arrangement was intended, rather than on a generally available basis).

Although the total charge to interconnectors may vary based on the demands of the particular request, the rates for time and materials will be uniformly applied. This outcome is consistent with the Commission's finding that although the cost of transmission equipment may not vary within a study area, there may be cost-based variations in the rates depending upon the equipment offered. According to the Commission:

LECs may reasonably charge different rates to different customers if they incur different costs to serve those customers. To be sure, even virtual collocation offerings designed to meet the needs of individual interconnectors must be made generally available to all similarly situated interconnectors, and the actual rate levels (as well as the general methodology) must be specified in the tariffs. . . . Because the costs prudently incurred by the LECs to serve the different interconnectors are different in such cases, the difference in the rates charged to different customers does not constitute unreasonable discrimination under Section 202 of the Communications Act. The LEC, however, must use the same basic methodology specified in its tariff to compute all customers' rates.⁶

PRTC's proposal to assess a charge for initial virtual interconnection requests based on time and materials is consistent with the Commission's finding that one rate may not satisfy every request. This does not mean, however, that different rates are discriminatory, as long as the carrier employs the same basic method for establishing a rate based upon a carrier's particular request.

⁶ Expanded Interconnection with Local Telephone Facilities, Memorandum Opinion and Order, 9 FCC Rcd 5154, 5174, 5188-89 (1994) (footnotes omitted) ("Expanded Interconnection MO&O").

Finally, as reported in its tariff and in its Reply to Centennial's Petition to Suspend and Investigate, PRTC intends to file generally available rates as requests for service provide experience with the actual cost of providing the service.

GENERAL INFORMATION REQUIREMENTS - TRP CHARTS FOR VIRTUAL COLLOCATION SERVICE

Submit TRP charts that display DS1 and DS3 virtual collocation investments, direct costs,⁷ and prices. (Order at ¶ 32-35)

Attached hereto as Exhibit 1. PRTC used one set of charts for both DS1 and DS3 services due to its limited service offerings.

GENERAL INFORMATION REQUIREMENTS - OTHER COST JUSTIFICATION

(a) File a copy of all cost studies on which PRTC's proposed rates for physical and virtual collocation are based. (Order at ¶ 37)

Attached hereto as Exhibit 2.

(b) Fully document and completely explain the data, assumptions, and the methodologies on which all physical and virtual collocation investments, direct capital costs, and direct operating expenses are based. Also submit worksheets showing the data and calculations that underlie these costs. (Order at ¶ 38)

The collocation investments were developed by PRTC's network planning department. The direct capital costs were determined by applying a factor to the collocation investments. The

⁷ For calculating direct costs, PRTC includes depreciation, tax liabilities, and maintenance expenses as direct costs. Following the TRP instructions, PRTC also includes here administration expenses in the calculation of indirect costs. See TRP Chart IV, DD.

development of the applied factor is shown on Workpaper 1 (at I), Workpaper 3, and Workpaper 4 (at c). The direct operating expense is for maintenance. This figure is shown on Workpaper 4 (at line A, column d). The depreciation rates reflected on Workpaper 4 are those that were filed with by PRTC with the FCC. See Response (d) below and Exhibit 2.

(c) Indicate the percentage cost of capital or money used in developing PRTC's direct costs. This percentage cost of capital must be fully explained and justified to the extent that it exceeds 11.25 percent. (Order at ¶ 39)

PRTC used 11.25 percent as the percentage cost of capital, which is set forth in Workpaper 3, attached hereto as Exhibit 2.

(d) Justify the depreciable lives for plant and equipment listed on PRTC's TRP charts. (Order at ¶ 40)

The depreciable lives for plant is justified in PRTC's depreciation costs study filed with the Commission on November 16, 1993. The relevant correspondence is attached hereto as Exhibit 3.

(e) Describe each labor function for which costs are recovered in the virtual collocation rate, provide the estimated number of hours required to perform these functions, provide the estimated labor cost for these functions, and fully explain and document the data, assumptions, and the methodologies by which these labor costs are estimated. LECs must describe whether the estimated labor costs reflect only wages, wages plus benefits, wages plus benefits and loadings, or whether costs are estimated on some other basis. If loadings are included in labor costs, LECs must describe what portion of the reported wage rate is attributable to loadings. (Order at ¶ 40)

Any charges for labor would be assessed on a time basis. PRTC issued the rate on an ICB basis because it has no experience with what labor functions would be required and how long such labor functions would take. The only nonrecurring charge assessed in this regard is for cable installation. PRTC's labor rates will be based on its filed rates in its access tariff. Justification for these rates is provided in the cost support for that tariff, attached hereto as Exhibit 4. This study sets forth the bases for any loadings included in the labor rate.

(f) Provide diagrams clearly identifying each expanded interconnection component and indicate whether the component is owned by PRTC or the interconnector. (Order at ¶ 41)

PRTC is unable to respond to the Bureau's request in this regard. Currently, there is no customer for PRTC's tariffed virtual collocation service. PRTC has no existing expanded interconnection components under this tariff that it can identify in a diagram or otherwise. In every instance, therefore, any existing central office equipment that could be identified as an expanded interconnection component is owned by PRTC.

SPECIFIC INFORMATION REQUIREMENTS - COST OF MONEY

State whether PRTC applies the federal income tax gross-up factor only to the cost of money requirement attributable to equity capital. If not, explain how PRTC applies this factor and why this approach is reasonable. (Order at ¶ 60)

The gross-up factor applies to PRTC's entire return for the virtual collocation rate development, because PRTC makes no allowance for interest expenses before its federal income tax liability is calculated. Therefore, PRTC's approach is equivalent to applying the tax gross-up factor to the equity portion of the return alone. In addition, this approach is consistent with the FCC's treatment of federal income tax in LEC interstate revenue requirement calculations. See Rate of Return Prospective Cost Analysis Summary, ROR COS-1(P) (attached hereto as Exhibit 5) for the FCC's treatment of the federal income tax. As demonstrated by this document, interest expense is not included in the expense categories prior to the calculation of the FIT liability.

SPECIFIC INFORMATION REQUIREMENTS - FLOOR SPACE RATES

(a) Explain why it is reasonable to establish a separate virtual collocation floor space rate rather than have any such costs recovered through general overhead loadings. (Order at ¶ 61)

The LEC should recover its costs associated with floor space dedicated to interconnectors by applying directly a rate per square foot to the square footage required by the interconnector. Establishing such a rate on a per square foot basis allows interconnectors to estimate their floor space cost based on the amount of space required. Applying an indirect cost per

investment factor to direct investment would not be as precise and might lead to an interconnector paying for more space than it is actually using. Therefore, a separate floor space rate is a reasonable approach for assessing interconnectors the appropriate charges based on the LEC's cost of providing the service.

(b) Assuming PRTC does not develop a similar floor space rate for its other interstate access DS1 and DS3 services, explain specifically why it is reasonable to do so solely for virtual collocation service. (Order at ¶ 61)

The floor space rate is intended to recover costs associated with the space occupied by the cage and equipment dedicated solely to the use of the interconnector. Customers who lease interstate DS1 and DS3 services are not generally served through dedicated terminals and other related equipment. Applying a direct floor space charge in this case would not be appropriate.

(c) Explain the data, assumptions, and the methodology on which PRTC's virtual collocation floor space investment and floor space direct costs are based. (Order at ¶ 61)

Workpaper 5 shows the floor space investment per square foot calculation. PRTC calculated virtual collocation investments on an annual investment per square foot basis. This calculation is expressed by the formula:

Annual Investment/sq. ft. =

Building Investment/sq. footage * (1 + common area %)

The analysis relied upon data from 18 of PRTC's 29 central offices. For each total building investment, the square footage and common area percentage were used per central office. The

building investment itself is based upon PRTC asset records. The cost per total square foot of floor space was derived by first dividing building investment by total square footage to yield an investment per square foot figure.⁸ The cost of usable space per square foot was obtained by multiplying the cost per total square feet by a factor equal to 1 plus the percentage of common space in the building.

The usable investment per square foot of each office was averaged across the 18 offices surveyed to yield the investment per square foot figure of \$188.66.

(d) Explain and justify in detail the variance in the amount of floor space required and the investment value of that space for virtual collocation among its central offices. (Order at ¶ 62)

PRTC does not currently have any VEIS customers and has not received any bona fide requests for the service, so its rate is based on a survey of central offices. In developing this rate, PRTC has not estimated the square footage required to support interconnector-designated termination equipment. It does, however, develop a cost per square foot based on a sample of approximately two-thirds of its central offices. Because the Commission requires a generally-tariffed rate to be applied across a study area, it is appropriate to calculate the rate per square foot based on the average square footage per central office surveyed. In conducting this analysis, it is also

⁸ Some of each office's square footage is common or shared space. The cost of this shared space must be included in the cost of usable space

appropriate to include the building investments. Again, this amount varies according to the particular central office. Any variance in investment among central offices is the result of two factors. First, the ratio of common space to total space is a function of the design and age of the central office structure. Second, the age of the building will affect the nominal cost to construct the building as shown in PRTC's plant records.

(e) Identify the interconnector-designated equipment that PRTC assumes will occupy the floor space for which it develops direct costs and explain whether the assumed physical dimensions and characteristics of this equipment will vary among interconnectors and among central offices. (Order at ¶ 62)

PRTC assumes that the equipment occupying the floor space will consist of termination equipment and other related items, such as fiber optic terminals, digital cross connect equipment, and multiplexing equipment. PRTC has not received any requests for this service under the tariff, so it has no specific information to respond to this question. Presumably, however, the physical dimensions and characteristics of the equipment will vary according to the interconnector's request.

(f) Define the phrase "common area percentage." Explain the development of and justify the use of this factor in defining that floor space investment. Explain in specific terms how the floor space derived by applying the common area percentage would be used by interconnectors when they take virtual collocation service from PRTC. (Order at ¶ 63)

"Common area percentage" refers to the portions of the central office that may not be used for any specific function, such as hallways, stairwells, and restrooms. For each square

foot of usable space, additional space is required to provide access or other forms of support for the usable space.

(g) To the extent that through this percentage PRTC is recovering common area floor space costs as a direct cost in its virtual collocation rates, explain why PRTC considers such costs to be directly attributable to virtual collocation service under the pricing standard set forth in the Virtual Collocation Order, rather than a cost that is common to all of its services and recoverable as an overhead cost. (Order at ¶ 63)

PRTC recognizes that the common space costs alternatively could be recovered through the use of a loading factor. However, recovery of the cost through a direct rate more accurately assesses the customer for the dedicated use of a portion of the floor space, clearly satisfying the pricing standard in the Virtual Collocation Order.

(h) Explain and justify the use of the particular 18 central offices selected for calculating floor space direct costs, rather than using the seven central offices that are tariffed for virtual collocation. Explain why some of the central offices at which virtual collocation is offered (e.g., Baldiority and Levittown) are omitted from the sample of 18 central offices on which its floor space direct costs are developed. (Order at ¶ 64)

PRTC used all of the offices in its floor space analysis for which it has the relevant data. As PRTC's VEIS tariff explains, PRTC offers VEIS service at seven offices, but will offer the same service at any other office subject to a bona fide request and the availability of space.

INFORMATION REQUIREMENTS - OVERHEAD LOADING FACTORS

(a) Submit the overhead loading factor for each of PRTC's expanded interconnection service rate elements. Fully explain and completely document the data, the methodologies, and the assumptions by which PRTC derives these factors, and justify the reasonableness of the factors. Submit the data PRTC used to compute the factors, identify the sources from which it derives this data, and provide copies of all workpapers showing all calculations that underlie the development of these factors. Explain any variation in the overhead loading factors among expanded interconnection rate elements. (Order at ¶ 71)

<u>Rate Element</u>	<u>Overhead Loading Factor</u>
DS1 Cross Connect	1.53
DS3 Cross Connect	1.59
Floor Space	1.66
Cable Support	1.66

The floor space and cable support rate element overhead loading factor (1.66) is equal to the overhead loading factor implicit in PRTC's overall special access rates. This value equals the ratio of PRTC's Total Special Access revenue requirement attributable ("SA Rev. Req.") to direct costs.

$$\frac{\text{Direct Costs SA Rev. Req.}}{\text{Total SA Rev. Req.}} = 1.665306$$

The backup data for this calculation is in Volume 5, page 7 of PRTC's Cost Support submitted with its 1996 Access filing (attached hereto as Exhibit 6). The ratio of total line 160 to direct line 160 yields the 1.66 overhead loading factor.

The DS1 and DS3 cross connect rate elements also use the same overhead loading factors implicit in the corresponding interstate access service rates filed in PRTC's Tariff F.C.C. No. 1. The overhead loading factor for DS3 cross connects is equal to the ratio of a price-out of a DS3 special access circuit. The ratio is based on the configuration found in the transport

benchmark calculation, net of the multiplexing function (Volume 5, page 22 of Access Tariff Cost Support, attached hereto at Exhibit 6) to the direct cost of the same configuration (Volume 3, Exhibit 6 of Access Tariff Cost Support, attached hereto as Exhibit 7). This ratio is equal to 1.5869.

DS3	<u>Quantity</u>	<u>Direct Cost</u>	<u>Rate</u>
CT	1	\$1,679.74	\$2,043.34
CMT	1	\$ 520.45	\$ 612.16
CMF	1	\$ 17.07	\$ 132.07

	<u>Transport Benchmark Quantity</u>	<u>Direct Cost</u>	<u>Rate</u>
CT	1	\$1,679.74	\$2,043.34
CMT	2	\$1,040.90	\$1,224.32
CMF	10	<u>\$ 170.70</u>	<u>\$1,320.70</u>
		\$2,891.34	\$4,588.36

$$\frac{\text{Total Transport Benchmark Rate}}{\text{Total Transport Benchmark Direct Cost}} = 1.5869$$

For DS1 cross connects, the overhead loading factor is the ratio of the DS1 transport benchmark to the indexed direct costs of the transport benchmark. The indexed direct costs of the interstate DS1 CT, CMF, and CMT are found in Volume 5, pages 13 and 14 of PRTC's Access Tariff Cost support, attached hereto as Exhibit 6. The DS1 transport benchmark is set forth at page 22.

DS1	<u>Quantity</u>	<u>Direct Cost</u>	<u>Rate</u>
CT	1	\$ 54.62	\$120.02
CMT	1	\$ 53.72	\$ 75.53
CMF	1	\$ 18.85	\$ 26.51

	Transport Benchmark <u>Quantity</u>	<u>Direct Cost</u>	<u>Rate</u>
CT	1	\$ 54.62	\$120.02
CMT	2	\$107.44	\$151.06
CMF	10	<u>\$188.50</u>	<u>\$265.10</u>
		\$350.50	\$536.18

<u>Total Transport Benchmark Rate</u>	= 1.5297
Total Transport Benchmark Direct Cost	

(b) Submit separate overhead loading factors for each point-to-point DS1 and DS3 special and switched access service that PRTC offers. Identify the unit investments, direct capital costs, the direct operating costs, and prices for the DS1 and DS3 services addressed. Identify and explain the reasons for any differences between the methodologies used to develop the direct costs for these DS1 and DS3 services and those used to develop the direct costs for virtual collocation service. Explain the basis for any difference in overheads: (1) among the various DS1 and DS3 services; and (2) between DS1 and DS3 services, on the one hand, and expanded interconnection services, on the other. (Order at ¶ 72)

PRTC developed its Special Access DS1 and DS3 rates in accordance with Part 69 and Section 61.38 of the Commission's rules, the guidelines for cost support to be submitted by rate of return carriers. For DS1 and DS3 switched services, PRTC adopted its corresponding special access rates. Therefore, the overhead loading factors for DS1 switched and special services and DS3 switched and special services are the same. The loading factors are derived by comparing the rate for the elements or combination of elements to the unit costs. This information is provided in the cost support for PRTC's Tariff F.C.C. No. 1, attached hereto

as Exhibit 6.

		<u>Rate</u>	<u>Direct/Unit Cost</u>	<u>Loading Factor</u>
DS1	CT/EF	\$ 120.02	\$ 54.62	2.1974
DS3	CT/EF	\$2,043.34	\$1,679.74	1.2165
DS1	CT/EF	\$ 120.02	\$ 54.62	
	10 CMF/DTF	<u>\$ 265.10</u>	<u>\$ 188.50</u>	
		\$ 385.12	\$ 243.12	1.584
DS3	CT/EF	\$2,043.34	\$1,679.74	
	10 CMF/DTF	<u>\$1,320.70</u>	<u>\$ 170.70</u>	
		\$3,364.04	\$1,850.44	1.8179

The calculation and methodology of PRTC's unit costs for DS1 and DS3 services is detailed in PRTC's relative index study in Volume 3, sections 3.2 and 3.7 of PRTC's 1996 Access Filing Cost Support (attached hereto at Exhibits 8 and 9, respectively). PRTC used this same methodology in determining loading factors for its VEIS services, except that the transport benchmark configuration (not including the for DS3 services) was used.

(c) Fully explain and completely document all data, assumptions, and methodologies used to develop the unit investments, the direct capital costs, and the direct operating costs for the following:

- (1) point-to-point DS1 and DS3 special and switched access services with the lowest overhead loading factor;**
- (2) the largest volume point-to-point DS1 and DS3 special and switched access services with the shortest term that is at least one year in length;**
- (3) the largest volume point-to-point DS1 and DS3 special and switched access services with the longest term (e.g., five years);**
- (4) the largest volume point-to-point DS1 and DS3 special and switched access services with the term that is intermediate to the shortest term and the longest term**

(e.g., three years).

Submit a copy of all cost studies on which the unit investments, direct capital costs, direct operating costs, and overhead loading factors for the services identified are based. (Order at ¶ 73)

PRTC currently has no customers for term discounts and intends to eliminate the option from its tariff. Unit investment development is shown in Volume 3, section 3-4 for DS1 services and Volume 3, section 3-7 for DS3 services (attached hereto as Exhibits 10 and 9, respectively). PRTC's relative index study calculates unit costs for special access services excluding DS3 services, complies with Part 69 and Section 61.38 of the Commission's Rules. PRTC's DS3 cost study is included in Volume 3 of PRTC's Access Tariff cost support.

(d) Indicate whether PRTC includes any floor space costs in the direct costs that it derives for DS1 and DS3 special and switched access services. If PRTC does include any floor space costs in the direct costs for these services, support the response to this question with workpapers showing the development of these direct costs for these services. (Order at ¶ 77)

No floor space costs are included in the DS1 and DS3 special and switched services.

(e) Submit a detailed explanation and justification for the use of any allocation ratios used in developing the direct costs for the DS1 and DS3 services for which PRTC is required to submit overhead loading factors. If PRTC uses such ratios, explain and document the data, assumptions, and the methodology by which these allocation ratios are developed. (Order at ¶ 78)

The information requested is provided in PRTC's Special Access Relative Index Study, submitted in Volume 3 of the cost support for its 1996 Access Filing, attached hereto as Exhibit

10. PRTC's methodology is consistent with Part 69 and Section 61.38 of the Commission's rules.

**INFORMATION REQUIREMENT - TERMS AND CONDITIONS APPLICABLE TO
VIRTUAL COLLOCATION SERVICE - LIABILITY**

(a) Explain why it is reasonable to impose on interconnectors a more stringent standard of care than PRTC establishes for itself. (Order at ¶ 86)

PRTC disagrees with the premise of this question, that its tariff imposes upon interconnectors a more stringent standard of care than PRTC establishes for itself. PRTC incurs any losses that are the result of the installation, maintenance, or repair of its own facilities. It is proper for PRTC to be indemnified from bearing any additional liabilities as a result of providing virtual collocation for an interconnector. PRTC's tariff describes the company's liability with regard to physical damage caused by the negligence of PRTC's employees or agents to the equipment or facilities located in PRTC's central office and for interruption of or interference with the collocater's service if caused by PRTC's willful misconduct. See PRTC Tariff F.C.C. No. 1, Section 18.3.2.

(b) Demonstrate the reasonableness of PRTC's tariff provisions requiring interconnectors to indemnify PRTC for any of its "own acts or omissions" in connection with the installation, maintenance and repair of the collocators' equipment. (Order at ¶ 86)

PRTC's tariff language reasonably limits PRTC's liability for physical damage to collocater-designated equipment and facilities caused its own personnel. In addition, liability is

limited for service interruptions unless the damage is caused by willful conduct. If PRTC were required to assume greater liability, then its tariffed rates would have to reflect the increased risk it would face in providing virtual collocation under these circumstances.

(c) Demonstrate the reasonableness of extending interconnectors' liability for an indeterminate period, with a minimum but not maximum time limitation, and explain why the minimum time periods PRTC chose are reasonable. (Order at ¶ 87)

PRTC's tariff provision provides notice to any interconnector that purchases virtual collocation pursuant to PRTC's Tariff F.C.C. No. 1, that PRTC intends to pursue any right of action that arises as a result of its relationship with the interconnector. PRTC's tariff states that such rights of action will survive termination of the relationship for a minimum of three years. PRTC included no maximum term with respect to this provision; however, the relevant statute of limitation for any cause of action would apply as a matter of law. It is reasonable that PRTC would not wish to limit by contract its legal right to bring any particular cause of action. By not stating a maximum period of time, however, PRTC in no way intends — nor expects any interconnector to assume — that any PRTC right of action would survive over time without limit.

(d) Explain why it is reasonable to permit certain rights of action that PRTC has against the interconnectors, but not the interconnectors' rights of action against PRTC, to survive termination of interconnection service. (Order at ¶ 87)

While PRTC has provided notice to potential interconnectors of its own intention to pursue all actionable claims — even after the interconnection relationship has been terminated — it is reasonable to assume that any interconnector under the tariff will follow its own policy regarding the rights of action that it may deem should be pursued against PRTC. There is no reason to believe that PRTC's tariff will inform the interconnector's determination whether to pursue a right of action either while collocating or after the relationship has been terminated.

INFORMATION REQUIREMENTS - TERMS AND CONDITIONS APPLICABLE TO BOTH PHYSICAL COLLOCATION AND VIRTUAL COLLOCATION SERVICE - LETTERS OF AGENCY

(a) State whether PRTC will accept LOAs from interconnectors' customers for ordering and billing purposes. (Order at ¶ 91)

PRTC currently has no customers under its virtual expanded interconnection tariff. However, for its DS1 and DS3 access services, PRTC does not accept LOAs. Therefore, PRTC would apply the same policy to interconnectors' customers for ordering or billing purposes.

(b) Explain whether PRTC accepts LOAs for its DS1 and DS3 special and switched access services and, if it does, outline PRTC's procedures for accepting LOAs for its other DS1 and DS3 special and switched access services. If PRTC does not accept LOAs from interconnector-customers, explain why it does not accept this practice. If PRTC accepts LOAs for special and switched access services, but does not accept LOAs from the customers of interconnectors, explain why this disparate

treatment is reasonable. (Order at ¶ 91)

As PRTC explained above, it does not accept LOAs for DS1 and DS3 services. Therefore, there is no disparate treatment.

INFORMATION REQUIREMENTS - TERMS AND CONDITIONS FOR VIRTUAL COLLOCATION SPACE - AVAILABILITY OF SPACE

Explain why the Commission should not find unlawful the provisions in PRTC's tariff making its virtual collocation offering subject to the availability of space. (Order at ¶ 97)

In Section 18.3 of the tariff (at 18-4), PRTC explains that the ability to satisfy a request for a particular virtual collocation arrangement will be subject to the availability of space in the requested central office. If space is available, then PRTC will fulfill the request in accordance with its tariffed procedures. However, if space is limited to a great extent in the particular central office such that a specific arrangement is not feasible, then PRTC will so inform the requesting carrier. There is no language in PRTC's tariff that suggests that PRTC will improperly deny interconnection requests. If there is insufficient space available to provide virtual collocation according to a specified configuration, PRTC will discuss with the requesting carrier alternative means for providing virtual collocation.

In addition, it is appropriate for PRTC to reserve space for itself to ensure that it can meet its obligation to provide communications services. See PRTC Tariff F.C.C. No. 1, Section 18.3 at 18-4. The Commission has determined that it is neither reasonable nor in the public interest to require LECs to

relinquish space reserved for their future use. The Commission found that "such a requirement could interfere with the LECs' ability to serve existing ratepayers and might impose considerable and unnecessary expense on the LECs when a virtual collocation alternative can be implemented."⁹ Therefore, PRTC's language referring to its reserved space is also permissible.

INFORMATION REQUIREMENTS - TERMS AND CONDITIONS FOR VIRTUAL COLLOCATION SPACE - EQUIPMENT FRAME LAYOUT PROVISION

(a) Explain what PRTC means by a "description of the proposed equipment frame layout." Specifically describe the information an interconnector would be required to provide to PRTC under this tariff provision and explain why this requirement is necessary for PRTC to be able to provide a virtual collocation arrangement. (Order at ¶ 99)

The requesting interconnector's description will inform PRTC about the particular requirements of the interconnector's collocation request. Important information to be included is the type and size of equipment, the environment required for the equipment, the power requirements, the desired wiring requirements, and any other requirements for the proper operation of the equipment.

⁹ Virtual Collocation Order, 7 FCC Rcd at 7408. See also Implementation of the Local Competition Provisions in the Telecommunications Act of 1996, (CC Docket No. 96-98), First Report and Order, FCC 96-325 at ¶ 604 (rel. August 8, 1996) ("Incumbent LECs are allowed to retain a limited amount of floor space for defined future uses. Allowing competitive entrants to claim space that incumbent LECs had specifically planned to use could prevent incumbent LECs from serving their customers effectively.").

(b) Explain why PRTC requires interconnectors to propose an equipment frame layout given that the equipment is to be located in PRTC's central offices and PRTC is, therefore, in the best position to determine the equipment layout that would serve the interests of both PRTC and interconnectors in a particular central office. Explain how interconnectors with little or no familiarity with PRTC's central office environment could develop equipment layout plans. (Order at ¶ 99)

The equipment frame layout requirement does not require that the interconnector have any knowledge of PRTC's central office layout. As stated above, the equipment frame layout provides important and necessary information regarding the physical characteristics of the interconnector's equipment and minimal technical requirements. PRTC will provide the information regarding the central office that is pertinent to the interconnection request. In addition, PRTC's tariff provides that if the customer fails to provide a description of the proposed equipment frame layout, PRTC will specify the equipment frame layout for the customer. See PRTC Tariff F.C.C No. 1, Section 18.3 at 18-4.

(c) Explain why the equipment frame layout requirement will not needlessly delay installation of virtual collocation equipment. (Order at ¶ 100)

The equipment frame layout will not delay installation of virtual collocation. In fact, it will expedite the provision of the service by permitting interconnectors to specify their requirements. Interconnectors are free to provide the equipment of their choice, which could vary depending upon each interconnector's own preferences and requirements. Because of this diversity, it is both logical and convenient for the

interconnecting party to provide the physical characteristics of the equipment it intends to interconnect with PRTC. Providing this information at the beginning of the ordering process will facilitate PRTC's determination of the space requirement and other technical or physical needs in order for it to fulfill the service request. The availability of such information at the outset will enable PRTC to conduct its required analysis and will permit PRTC to be most responsive to the request for interconnection.

(d) Identify the time intervals for installation of equipment that is used to provide DS1 and DS3 special and switched access services. Explain how the delays apparently contemplated under PRTC's equipment frame layout provision are consistent with the requirement in the Virtual Collocation Order that interconnector equipment be installed under the same time intervals that apply to PRTC's equipment for comparable services. (Order at ¶ 101)

As stated in the previous response, the equipment frame layout procedure will facilitate the provisioning process rather than impose delays. Because PRTC currently has no customers under its virtual collocation tariff, it is impossible to compare the installation intervals for DS1 and DS3 special and switched access services with existing virtual collocation service.